



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HARDIN COUNTY SHERIFF**

Calendar Year 1998

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

Paul E. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Glen D. Dalton, Hardin County Judge/Executive

Honorable Robert E. Thomas, Hardin County Sheriff

Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the Sheriff of Hardin County, Kentucky, and the statement of receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1998. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff is required to prepare the financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Paul E. McCarty, Secretary

Finance and Administration Cabinet

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Honorable Glen B. Dalton, Hardin County Judge/Executive

Honorable Robert E. Thomas, Hardin County Sheriff

Members of the Hardin County Fiscal Court

We would like to commend the Hardin County Sheriff, Robert E. Thomas, and Finance Officer, Donna Cross, for their excellent accounting procedures and record keeping. Specifically, the following accounting procedures existed during the calendar year ended December 31, 1998.

- The Sheriff Prepared Timely Bank Reconciliations To The Book Balances Every Month
- The Sheriff Implemented And Maintained An Adequate Purchase Ordering System
- The Sheriff Properly Accounted For Money By Issuing Pre-Numbered Receipt Forms, Totaled Receipt Forms At The Close Of Each Business Day, Prepared Daily Checkout Sheets, Posted Daily Checkout Sheet Totals To The Receipts Ledger, And Agreed Daily Checkout Sheet And Receipts Ledger Totals To Bank Deposits
- The Sheriff Made Daily Deposits With A Depository Institution
- The Sheriff Solicited Bids For Banking And Investment Services
- The Sheriff Maintained Formal Time Records For All Employees. These Records Were Signed By The Employee, Approved Prior To Payroll Preparation, Overtime Properly Approved, And Other Changes Properly Documented By The Fee Official Or Payroll Officer
- The Sheriff Provided Adequate Accountability For Miscellaneous Receipt And Disbursement Accounts

In accordance with Government Auditing Standards, we have also issued a report dated March 21, 2000, on our consideration of the Sheriff's compliance with laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
March 21, 2000

STATEMENT OF RECEIPTS AND DISBURSEMENTS

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 1998

Receipts

State Grant (Note 6)		\$	27,820
State Fees for Services			92,915
Circuit Court Clerk			125,306
Fiscal Court			173,006
County Clerk			16,033
Commission on Taxes			555,948
Fees Collected for Services:			
Auto Inspections	\$	45,958	
Accident and Police Reports		1,325	
Serving Papers		74,437	
Carrying Concealed Deadly Weapon Permits		17,780	
Sheriff's Advertising Fees		10,740	150,240
Other Receipts:			
Mortgage Company Fees	\$	2,454	
Refunds		2,641	
Interest Earned		21,275	
Dog License Fees		171	
Miscellaneous		131	26,672
Gross Receipts (Carried Forward)		\$	1,167,940

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
STATEMENT OF RECEIPTS AND DISBURSEMENTS
Calendar Year 1998
(Continued)

Gross Receipts (Brought Forward) \$ 1,167,940

Disbursements

Payments to State:

Carrying Concealed Deadly Weapon Permits \$ 12,715

Payments to County:

Dog License Fees 360

Total Disbursements 13,075

Net Receipts \$ 1,154,865

Payments to State Treasurer:

75% Operating Fund \$ 965,384

25% County Fund 189,481 1,154,865

Balance Due at Completion of Audit \$ 0

* Includes reimbursed expenses and fiscal court supplements to the Sheriff of \$412,452 for the audit period. See Note 1 to the Financial Statements.

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 1998

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 1998	\$ 281,803	\$	\$ 281,803
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	965,384		965,384
Fees Paid to State - County Funds (25%)		189,481	189,481
Total Funds Available	<u>\$ 1,247,187</u>	<u>\$ 189,481</u>	<u>\$ 1,436,668</u>
<u>Disbursements</u>			
Hardin County Government	\$ 66,736	\$ 189,481	\$ 256,217
Personnel Services-			
Sheriff Salary	48,726		48,726
Deputies Salaries (Note 6)	533,210		533,210
Employee Benefits-			
Social Security	42,513		42,513
Retirement (Note 6)	51,111		51,111
Health Insurance	25,054		25,054
Life Insurance	1,473		1,473
Contracted Services-			
Advertising	11,875		11,875
Vehicle Maintenance and Repairs	31,257		31,257
Uniform Maintenance	4,512		4,512
Bonds, Insurance, and Dues	39,739		39,739
Radio Maintenance and Tower Rental	8,518		8,518
Storage	9,480		9,480
Pager Rental	102		102
Supplies and Materials-			
Uniforms	12,558		12,558
Gasoline	16,775		16,775
Data Processing Supplies	5,419		5,419
Tires	3,457		3,457
Office Materials and Supplies	30,256		30,256
Law Enforcement Supplies	6,331		6,331

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE
 SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER
 Calendar Year 1998
 (Continued)

Disbursements (Continued)

Other Charges-			
Canine Care and Food	\$ 1,463	\$	\$ 1,463
Postage	16,692		16,692
Video Arraignment	7,129		7,129
Training	5,480		5,480
Transporting Prisoners	16,663		16,663
Parking Fee	220		220
Telephone	12,183		12,183
Travel Expenses	7,863		7,863
Miscellaneous	1,156		1,156
Capital Outlay-			
Computer Hardware	1,440		1,440
Communication Equipment	7,188		7,188
Office Equipment	19,406		19,406
Motor Vehicles	189,995		189,995
Close Imprest Account	11,207		11,207
Total Disbursements	<u>\$ 1,247,187</u>	<u>\$ 189,481</u>	<u>\$ 1,436,668</u>
Fund Balance - December 31, 1998	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

HARDIN COUNTY
 ROBERT E. THOMAS, SHERIFF
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 1998
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.22 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.85 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

All employees of the Sheriff's office began participating in hazardous retirement as of December 1, 1998.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Lease

The Sheriff has entered into the following lease agreement as of December 31, 1998:

Item		Term of	Ending	Principal
<u>Purchased</u>	<u>Payment</u>	<u>Agreement</u>	<u>Date</u>	<u>Balance</u>
				<u>December 31,</u>
				<u>1998</u>
Copier	\$ 2,796	4 Years	1/20/99	\$ 467

HARDIN COUNTY
ROBERT E. THOMAS, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

Note 5. Health Insurance Premiums

KRS 61.405 allows county fee officials to purchase twelve (12) months of health insurance coverage for their employees, if excess fees are available. Therefore, the expenditures are allowable. The Attorney General has issued opinion 92-108, which claims the statute is unconstitutional and discriminatory. The Attorney General also issued OAG 94-11 on February 25, 1994, stating health or medical insurance provided uniquely for an official and not in connection with a government program providing benefits to all county employees would be personal in nature.

Note 6. Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Hardin County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). Under the program, grant funding is available as incentive pay through the Commonwealth of Kentucky Department of Criminal Justice Training. Per KRS 15.460, an eligible officer is entitled to receive an annual maximum of \$2,750 incentive pay. During calendar year 1998, the Hardin County Sheriff's office received and expended \$27,820, of which \$25,257 was incentive pay and \$2,563 was retirement matching.

Note 7. DARE Fund

The Sheriff had a DARE Fund, which had a beginning balance of \$141; receipts of \$2,287; and disbursements of \$2,098; leaving a balance at December 31, 1998, of \$330.

Note 8. Drug Fund

The Sheriff had a drug fund account which had a beginning balance of \$448; receipts of \$6,844; and disbursements of \$5,004; leaving a balance at December 31, 1998, of \$2,288.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Glen D. Dalton, Hardin County Judge/Executive
Honorable Robert E. Thomas, Hardin County Sheriff
Members of the Hardin County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the Hardin County Sheriff's financial statements as of December 31, 1998, and have issued our report thereon dated March 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements as of December 31, 1998, are free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Glen D. Dalton, Hardin County Judge/Executive
Honorable Robert E. Thomas, Hardin County Sheriff
Members of the Hardin County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed
March 21, 2000

